

# HOUSE BILL REPORT

## 2SSB 5595

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to distribution of the public utility district privilege tax.

**Brief Description:** Concerning the distribution of the public utility district privilege tax.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Parlette).

#### Brief History:

##### Committee Activity:

Ways & Means: 3/14/11, 3/30/11 [DPA].

#### Brief Summary of Second Substitute Bill (As Amended by House)

- Allocates a portion of the state public utility district (PUD) privilege tax to a city where property of another county's PUD is located in the city but the PUD does not distribute electricity within the city.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 26 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Seaquist, Springer, Sullivan and Wilcox.

**Staff:** Jeffrey Mitchell (786-7139).

#### Background:

The public utility district (PUD) privilege tax is in lieu of the property tax. It applies to electricity-generating facilities for the privilege of operating in this state. The tax rate has several components including gross income derived from the sale of electricity, the number

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of kilowatt hours of self-generated energy which is either distributed to consumers or resold to other utilities, and the wholesale value of energy produced in thermal generating facilities.

Public utility districts report the facts pertinent to the calculation of the privilege tax to the Department of Revenue (DOR) once per year. The DOR calculates the tax owed and collects the taxes paid by the PUDs. These tax proceeds are deposited with the State Treasurer.

The following distribution requirements apply to the PUD privilege taxes collected on electricity generating or distribution facilities (other than the nuclear power plant on the Hanford reservation). The State Treasurer deposits 4 percent of the proceeds from the basic tax rate to the State General Fund. The remaining 96 percent is distributed as follows: 37.6 percent to the State General Fund for public schools; and 62.4 percent to the counties to be redistributed.

A county must distribute funds to each taxing district in the county, except school districts, in a manner the county deems most equitable. However, a city within the county must receive an amount equal to 0.75 percent of the gross revenues obtained from the sale of electricity within the city. There is no provision of law requiring a county to distribute tax revenues to a city on the basis of the city adjoining a reservoir used in the generation of electricity.

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**Summary of Amended Bill:**

If a county receives privilege taxes because a public utility district (PUD) operated by another county owns fee title to property in a city or town in the county, but the PUD has no sales of electrical energy in that city or town, the county may retain 70 percent of the tax proceeds and each city or town where property is owned shall divide the remainder equally. This only applies when the city or town adjoins a reservoir on the Columbia River wholly or partially created by such district's hydroelectric facility which began power generation in 1967.

The bill applies to the PUD privilege taxes to be distributed in 2012 and thereafter.

**Amended Bill Compared to Second Substitute Bill:**

The 60 percent – 40 percent revenue sharing between a county and affected cities is changed to a 70 percent – 30 percent sharing.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Okanogan County is the only place in the state where one county's public utility district (PUD) has hydroelectric facility in another county property with another county's PUD located in it. This issue did not come up before because the payment of the tax by the Department of Revenue to the county was provided as a lump sum. The bill is not retroactive, only prospective. The bill provides fairness. The bill is very specific to one area. The underlying law does not provide a formula for this type of situation.

(Opposed) None.

**Persons Testifying:** Senator Parlette, prime sponsor; and George Brady, City of Paterus.

**Persons Signed In To Testify But Not Testifying:** None.